

SECRET

December 31, 1957

Dear Mr. President:

This SECRET letter is to accompany my unclassified letter to you of this same date reporting France's shipment to Poland, pursuant to Section 103(b) of the Mutual Defense Assistance Control Act of 1951. The purpose of this letter is to:

1. Make reports and recommendations to you, also pursuant to the above section, on shipments of Control Act embargo items by Argentina and the Netherlands under circumstances which make public disclosure inadvisable; and
2. Provide information of a classified nature on shipments which should be reported for the record, but which in my judgment do not require a Presidential Determination under Section 103(b) of the Control Act.

ARGENTINA

Argentina has licensed shipments of approximately 1,400 tons of borax to Poland. The estimated value of these shipments is \$100,000. The Argentine Government has also committed itself to some additional shipments. Boron materials were upgraded to embargo status as of November 13, 1956, because of their strategic applications beyond their general civilian and industrial uses. The Argentine Foreign Office was informed of this upgrading shortly afterwards and the other Government offices were subsequently notified. It is concluded that the reorganization which took place in the Bureau of Mines where the applications were processed contributed to approval of the permits without proper consideration of the strategic classification of borax. Argentine officials have indicated that future export licenses for minerals as well as other controlled exports must now have the approval of the Division of International Trade, which has been generally responsible for Argentine export controls.

Considering the circumstances of the Argentine borax shipments, the cooperation given by Argentina in improving their trade controls, and the fact that cessation of aid would clearly be detrimental to the security of the United States, I recommend that you direct the continuance of aid to Argentina.

It is pertinent to report, in the light of developments in Poland favorable to the free world, that the United States and other COCOM countries have agreed to a special export policy with respect to Poland which generally makes it possible to treat that country more favorably than the rest of the Soviet bloc. Thus, exceptions to the embargo are considered by the participating countries of COCOM on a case by case basis, and are authorized when it has been demonstrated that the item is necessary and will be for Polish civilian consumption and use, that the amounts requested are reasonable for such use, and the Polish Government has assured the exporting government that the shipment will not be reexported or diverted to other Sino-Soviet bloc destinations.

THE NETHERLANDS

The Netherlands delivered three ships to the USSR in 1957 under a trade agreement signed prior to the revision of the embargo lists on August 25, 1954. The United States considers those ships, because of their ice breaking capabilities, to be

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covered by the embargo list under Title I, Category B, as it was revised on that date; however, the Netherlands contends that these vessels were principally designed to carry cargo and only incidentally to break ice and that they are not covered by the definition of embargoed ships. They are cargo ships strengthened for travel in ice filled waters and might also be termed combination cargo-icebreaker vessels. Their value is about \$4.4 million each.

In view of the circumstances and taking into consideration the Netherlands cooperation in COCOM, her contribution through NATO to the mutual security of the free world, including the United States, the importance of the United States assistance which enables the Netherlands to meet its security obligations, and that cessation of aid would clearly be detrimental to United States security, I recommend that you direct the continuance of aid to the Netherlands.

Both the above recommendations are based on the advice of Vice Admiral Walter S. DeLany, USN (Ret.), my Deputy Director for Mutual Defense Assistance Control and concurred in by the Department of State, Defense, Commerce, and Treasury.

SHIPMENTS NOTED FOR THE RECORD ONLY

As was noted in the classified letter to you of December 6, 1956, there are three kinds of shipments which should be reported for the record but which it has been determined do not fall into the category of strategic shipments either because: (a) they are of a "de minimis" character, too small to be of any real account; or (b) they are for the "servicing" of non-embargo equipment previously shipped, into which they will be incorporated; or (c) they are "accident of definition" cases, which, because of their particular specifications do not fall within the strategic area that the embargo definition was intended to cover. In addition, there are certain "administrative" shipments which do not fall into the category of strategic shipments because they are for the use of foreign (free world) nationals located in Soviet bloc countries or because of other special circumstances. The shipments in these four categories which are reported below do not require any Presidential Determination for continuance of assistance under the Control Act.

"De minimis" shipments

Germany has made \$5,629 worth of various "de minimis" shipments to Bulgaria, Czechoslovakia, Poland, Hungary, the Soviet Zone of Germany, Roumania, and Communist China.

The United Kingdom has made \$2,565 worth of various "de minimis" shipments to Czechoslovakia, Poland, Hungary, USSR, Communist China, and Eastern Germany.

France shipped \$528 worth of "de minimis" shipments to Poland.

Japan shipped \$77 worth of "de minimis" shipments to Communist China.

Norway sold \$84 worth of heavy water to the Polish Academy of Sciences for use in biochemical examination of the structure and activity of enzymes and nucleic acids. This item appears on the AE list under Title I, Category A. However, the AEC considers this shipment to be a trivial quantity of no strategic significance. The shipment was made without prior consultation in COCOM as the result of an unintentional

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error by Norway in the application of COCOM's "de minimis" procedure. I consider this shipment to be a "de minimis" shipment not coming within the meaning of Section 103(b) of the MDAC Act and therefore not requiring a Presidential Determination under that Act. This recommendation is based on the advice of the Economic Defense Advisory Committee.

"Servicing" shipments

Germany shipped \$2,031 worth of bearings in small shipments for servicing purposes to Czechoslovakia, Hungary, East Germany and Communist China.

"Accident of definition" shipments

Belgium shipped \$5,000 worth of old, used tires to Poland for agricultural purposes. They were covered by the embargo listing only by accident of definition.

France shipped \$19,800 worth of iron powder to Poland. The iron powder was of substandard quality and covered by the embargo listing only by accident of definition.

"Administrative" shipments

The United Kingdom shipped \$2,651 worth of lubricating oil and grease in small shipments to Communist China, Czechoslovakia, Poland, and the USSR.

Germany shipped \$1,413 worth of lubricating oil and grease to Eastern Germany, Czechoslovakia, Roumania, Hungary, Bulgaria, and Communist China.

The above is classified SECRET because the United States has agreed that these procedures should not be publicly disclosed in the interests of maintaining the cooperation of other countries participating in international security trade controls.

The recommendations in this letter are based on the advice of Vice Admiral Walter S. DeLany, USN (Ret.), my Deputy Director for Mutual Defense Assistance Control and are also concurred in by the Departments of State, Defense, Commerce, and Treasury.

Respectfully yours,

/s/ J. H. Smith, Jr.

The President
of the United States

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